

Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 AF-10 ISO-00 SCI-06 FEA-02 INT-08 L-03

CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 RSC-01 USIA-15

PRS-01 SP-03 EB-11 COME-00 PM-07 NSC-07 SS-20 DRC-01

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R 081415Z APR 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 4178

INFO USINT BAGHAD

C O N F I D E N T I A L ROME 4866

E.O. 11652: GDS

TAGS: PFOR, ENRG, IR, IT

SUBJECT: IRAQ VISIT OF ITALIAN ECONOMIC DELEGATION

REF: STATE 63398; BAGHAD 170; ROME 1064

1. DUPTY MFA OFFICER RESPONSIBLE FOR MIDEAST ECONOMIC AFFAIRS (CORRIAS) GAVE US FOLLOWING ACCOUNT APRIL 5 OF RECENT BAGHAD VISIT OF ITALIAN ECONOMIC DELEGATION (REF B) OF WHICH HE WAS A PART. NO RPT NO BILATERAL OIL AGREEMENT WAS SIGNED. VISIT CONSTITUTED RATHER A FOLLOW-UP TO RECENT JANUARY VISIT TO BAGHAD OF MFA UNDERSECRETARY BENSI ON WHICH OCCASION A DECLARATION OF INTENT WAS SIGNED TO EXPAND MARCH 1972 OIL FOR GOODS AND TECHNOLOGY AGREEMENT. (REFC).

2. ITALIANS AND IRAQIS ARE IN PROCESS OF WORKING OUT A COMPREHENSIVE ECONOMIC AND TECHNICAL COOPERATION AGREEMENT OF WHICH OIL WOULD CONSTITUTE A PART. SPECIFIC PURPOSE THIS VISIT WAS FOR ITALIANS TO FURTHER EXAMINE A NUMBER OF PROJECTS WHICH IRAQIS HAVE EXPRESSED INTEREST IN AND HAVE BEEN DISCUSSING ALSO WITH OTHER WESTERN COUNTRIES. CORRIAS COMMENTED THAT ITALIANS ENCOURAGED ABOUT HEADWAY BEING MADE AND ARE HOPING THAT THE FINAL PACKAGE AGREEMENT CAN BE SIGNED ON OCCASION OF NEXT BAGHAD VISIT

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OF ITALIAN DELEGATION. WHEN THAT MIGHT BE, CORRIAS WAS UNABLE TO

SPECIFY, BUT HE LEFT IMPRESSION THAT IT MIGHT YET BE SEVERAL MONTHS OFF.

3. SOURCE NOTED THAT COMPREHENSIVE AGREEMENTS OF THIS TYPE ARE EXTREMELY COMPLEX AND BY NECESSITY INVOLVE PROTRACTED NEGOTIATION. NEVERTHELESS, ITALIANS FEEL THAT IRAQIS-ALONG WITH IRANIANS AND ALGERIANS--OFFER THE MOST ENCOURAGING PROSPECTS FOR SUCH CONSUMING-PRODUCING COUNTRY PACKAGE AGREEMENTS. HE CITED AS POSITIVE ELEMENTS IN CASE OF IRAQ ITS AMBITIOUS BUT REALISTIC DEVELOPMENT OBJECTIVES, THE APPARENT SERIOUSNESS OF ITS LEADERS AND ITS EVIDENT STRONG DESIRE TO DO BUSINESS WITH ITALY. HE SINGLED OUT THE FINANCIAL ASPECT OF CURRENT NEGOTIATIONS AS GIVING RISE TO SOME DIFFICULTIES. ALTHOUGH THEIR RAPIDLY GROWING OIL REVENUE MAKES IT EASIER FOR IRAQIS TO PAY CASH, THEY NEVERTHELESS WANT CREDIT EVEN THOUGH THEY ACKNOWLEDGE THEY MAY NOT HAVE TO DRAW UPON IT. THE CREDIT ELEMENT HAS BECOME FOR IRAQIS A TEST OF POLITICAL WILL OF WESTERN COUNTRIES TO DO BUSINESS WITH THEM.

4. CORRIAS VOLUNTEERED FOLLOWING IMPRESSIONS REGARDING IRAQI OUTLOOK AND OBJECTIVES: THEY VIEW OIL MORE AS TOOL TO DEVELOPMENT THAN POLITICAL WEAPON TO BE USED AGAINST ADVERSARIES. IRAQI PROJECT PRIORITIES SEEM TO BE FIRST TIME FACTOR, THEN TECHNOLOGY AND LASTLY COST. THEIR AMBITIOUS DEVELOPMENT PROGRAM PLACES HIGH PRIORITY UPON AGRICULTURAL SECTOR AND FOR THESE PROJECTS THEY TEND TO FAVOR COMPREHENSIVE GOVERNMENT TO GOVERNMENT AGREEMENTS RATHER THAN CONTRACTS WITH AN INDIVIDUAL PRIVATE BIDDER. VOLPE

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